

ASSEMBLY BILL

No. 1237

Introduced by Assembly Member Garcia

February 22, 2013

An act to add Sections 53891.2 and 53891.3 to, and to add Article 10.1 (commencing with Section 53902) to Chapter 4 of Part 1 of Division 2 of Title 5 of, the Government Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1237, as introduced, Garcia. Local government finance.

Existing law requires the Controller to prescribe uniform accounting and reporting procedures that are applicable to specified types of local agencies. Existing law excludes certain agencies from this requirement, including cities.

This bill would specifically require the Controller to prescribe uniform accounting procedures for cities, conforming to Generally Accepted Accounting Principles, and in consultation with the Committee on City Accounting Procedures, which would be created by the bill. The bill would specify the composition of the committee.

This bill would create the City Budget Act, which would be applicable to certain fiscal procedures of cities, dependent special districts, and other agencies whose affairs and finances are under the supervision and control of the city council. The bill would require the Controller to promulgate rules, regulations, and classifications as he or she deems necessary and commensurate with the accounting procedures for cities prescribed pursuant to the bill. The bill would require that the city budget process be conducted pursuant to the specified procedures, and would require a copy of the city's audited comprehensive annual financial

report for the next preceding fiscal year to be filed by the city in the office of the Controller, not later than January 15 of each year. Because it would impose new duties on cities and agencies under their supervision and control, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 53891.2 is added to the Government
2 Code, to read:

3 53891.2. Pursuant to this division, the Controller shall prescribe
4 for cities uniform accounting procedures conforming to Generally
5 Accepted Accounting Principles (GAAP). The Controller shall
6 prescribe these procedures after consultation, with and approval
7 by, the Committee on City Accounting Procedures created by
8 Section 53891.3. Approval of these procedures shall be by a
9 majority vote of the total membership of the committee. The vote
10 may be conducted by mail at the discretion of the chairperson of
11 the committee, provided, however, that if one or more members
12 of the committee request a meeting for the purpose of voting, the
13 chairperson shall call a meeting of the committee, as provided in
14 Section 53891.3.

15 SEC. 2. Section 53891.3 is added to the Government Code, to
16 read:

17 53891.3. (a) The Committee on City Accounting Procedures,
18 which is hereby created, shall consist of 10 members appointed
19 by the Controller, who shall serve at the pleasure of the Controller.
20 The committee members shall have the following qualifications:

21 (1) Four members shall be city finance officers.

22 (2) Three members shall be city managers, including one each
23 from the northern, southern, and central California region.

1 (3) One member shall be a city representative from a rural area.

2 (4) One member shall be a county auditor-controller.

3 (5) One member shall be a representative appointed by the
4 California Society of Certified Public Accountants.

5 (b) The members of the committee shall serve without
6 compensation, but shall be reimbursed for their necessary traveling
7 and other expenses incurred in attending meetings of the
8 committee. These expenses shall be paid by the city or county of
9 which the member is an officer. The expenses incurred in attending
10 meetings by the certified public accountant shall be paid by the
11 California Society of Public Accountants.

12 (c) The Controller shall designate a member of the committee
13 to serve as chairman. The committee shall meet at the call of the
14 chairman and each member shall be given written notice of any
15 meeting at least 10 days prior to the date of the meeting.

16 SEC. 3. Article 10.1 (commencing with Section 53902) is
17 added to Chapter 4 of Part 1 of Division 2 of Title 5 of the
18 Government Code, to read:

19
20 Article 10.1. City Budget Act
21

22 53902. This article shall be known, and may be cited, as the
23 City Budget Act. Unless the context otherwise requires or provides,
24 the general provisions set forth in this article, and the requirements
25 concerning city budget matters prescribed by the Controller under
26 Section 53891.2, shall govern the construction of this article.

27 53902.1. Except as otherwise defined in this section, the
28 meaning of terms used in this article shall be as defined in the
29 uniform accounting procedures for Cities prescribed by the
30 Controller pursuant to Section 53891.2. As used in this article, the
31 following terms have the following meanings:

32 (a) "Adopted budget" means the budget document formally
33 approved by the city council after the required public hearings and
34 deliberations on the recommended budget.

35 (b) "Budget year" means the fiscal year for which the budget
36 is being prepared.

37 (c) "City official" means the chief administrative officer, city
38 administrator, city executive, city finance officer, city manager,
39 or any other official employed in any of the several cities under

1 various titles whose duties and responsibilities are comparable to
2 any of the officials named in this subdivision.

3 (d) “Controller” means the State Controller.

4 (e) “Council” means the city council of the city, or the same
5 legislative body acting as the governing board of a special district
6 whose affairs and finances are under its supervision and control.

7 (f) “Final budget” means the adopted budget adjusted by all
8 revisions throughout the fiscal year as of June 30.

9 (g) “Fiscal year” means the current 12-month period to which
10 the annual operating budget applies and at the end of which a
11 government determines its financial position and the results of its
12 operations.

13 (h) “Obligated fund balance” means the nonspendable, restricted,
14 committed, and assigned fund balances.

15 (i) “Recommended budget” means the budget document
16 recommended to the city council by the designated City official.

17 53902.2. This article shall apply to cities, dependent special
18 districts, and other agencies whose affairs and finances are under
19 the supervision and control of the council.

20 53902.3. Except as otherwise specifically provided by law, a
21 majority vote of the total membership of the council is required
22 for the council to take action pursuant to this article.

23 53902.4. (a) The Controller shall promulgate any rules,
24 regulations, and classifications as he or she deems necessary and
25 commensurate with the accounting procedures for cities prescribed
26 pursuant to Section 53891.2, to secure standards of uniformity
27 among the various cities in carrying out the provisions of this
28 article. The rules, regulations, and classifications shall be adopted
29 with consultation and approval in accordance with Section 53891.2.

30 (b) The Controller shall prescribe the forms required to be used
31 in presenting the required information in the budget document
32 after consultation with the Committee on City Accounting
33 Procedures established in Section 53891.3. Any city may add to
34 the information required, or display it in more detail, provided that
35 the financial information and the classifications or items required
36 to be included in the budget are clearly and completely set forth.
37 Any change proposed by a city in the arrangement of the
38 information required on the forms shall be subject to review and
39 approval by the Controller.

1 53903. For the adopted budget, the various forms, as prescribed
2 by the Controller pursuant to Section 53902.4, shall provide for
3 the presentation of data and information to include, at a minimum,
4 estimated or actual amounts of the following items, by fund:

5 (a) Fund balances, including the following.

6 (1) Nonspendable.

7 (2) Restricted.

8 (3) Committed.

9 (4) Assigned.

10 (5) Unassigned.

11 (b) Additional financing sources shall be classified by source,
12 in accordance with the accounting procedures for cities as
13 prescribed by the Controller pursuant to Section 53891.2. For
14 comparative purposes, the amounts of financing sources shall be
15 shown as follows:

16 (1) On an actual basis for the fiscal year two years prior to the
17 budget year.

18 (2) On an actual basis, except for those sources that can only
19 be estimated, for the fiscal year prior to the budget year.

20 (3) On an estimated basis for the budget year, as submitted by
21 the city official.

22 (4) On an estimated basis for the budget year, as approved, or
23 as adopted, by the council.

24 (c) Financing uses for each budget unit, classified by the fund
25 or funds from which financed, by the objects of expenditure, other
26 financing uses, intrafund transfers, and transfers out, in accordance
27 with the accounting procedures for cities and by any further
28 classifications or requirements pertaining to city budget matters
29 as prescribed by the Controller pursuant to Section 53891.2. For
30 comparative purposes, the amounts of financing uses shall be
31 shown as follows:

32 (1) On an actual basis for the fiscal year two years prior to the
33 budget year.

34 (2) On an actual basis, except for those uses that can only be
35 estimated, for the fiscal year prior to the budget year.

36 (3) On an estimated basis for the budget year, as submitted by
37 the city official.

38 (4) On an estimated basis for the budget year, as approved, or
39 as adopted, by the council.

40 (d) Appropriations for contingencies.

1 (e) Provisions for nonspendable, restricted, committed, and
2 assigned fund balances.

3 (f) The appropriations limit and the total annual appropriations
4 subject to limitation as determined pursuant to Division 9
5 (commencing with Section 7900) of Title 1.

6 53903.1. There shall be a schedule in, or supporting, the
7 adopted budget document or separate ordinance or resolution,
8 setting forth for each budget unit the following data for each
9 position classification:

10 (a) Salary rate or range, as applicable.

11 (b) Total allocated positions approved by the council.

12 53903.2. At a minimum, within the object of capital assets, the
13 budget amounts for the following shall be reported, as specified:

14 (a) Land shall be reported in total amounts, except when
15 included as a component of a project.

16 (b) Structures and improvements shall be reported separately
17 for each project, except that minor improvement projects may be
18 reported in totals.

19 (c) Equipment shall be reported in total amounts, by budget
20 unit.

21 (d) Infrastructure shall be reported in total amounts, by budget
22 unit.

23 (e) Intangible assets may be reported in total amounts, by budget
24 unit.

25 53903.3. Funding sources shall equal the financing uses, in
26 both the adopted budget and the final budget.

27 53903.4. The budget may contain one or more appropriations,
28 for contingencies, in an amount or amounts as the council deems
29 sufficient.

30 53903.5. The resolution of adoption of the budget of the city,
31 each dependent special district, and each other agency, as defined
32 in Section 53902.2, shall specify the following:

33 (a) Appropriations, by objects of expenditure within each budget
34 unit, except for capital assets that are appropriated at the subobject
35 level pursuant to Section 53903.2.

36 (b) Other financing uses, by budget unit.

37 (c) Intrafund transfers, by budget unit.

38 (d) Transfers out, by fund.

39 (e) Appropriations for contingencies, by fund.

1 (f) Provisions for nonspendable, restricted, committed, and
2 assigned fund balances, by fund and purpose.

3 (g) The means of financing the budget requirements.

4 53904. The adoption of the budget may be accomplished by a
5 resolution in which the adoption is effectuated by reference to the
6 financing uses in the budget as finally determined, provided that
7 the minimum requirements set forth in Section 53903.5 are met
8 in the budget document. If adopted by reference, the budget shall
9 have the same effect, and be subject to the same provisions of law,
10 as if the resolution of adoption had been accomplished by specific
11 designation.

12 53904.1. The council may set forth appropriations in greater
13 detail than required in Section 53903.5, and may authorize any
14 additional controls for the administration of the budget as it deems
15 necessary. The council may designate a city official to exercise
16 these administrative controls.

17 53905. (a) A copy of the adopted budget in the format
18 prescribed by the Controller shall be filed by the city official in
19 the office of the clerk of the board and the office of the Controller
20 not later than December 1 of each year.

21 (b) (1) If the city official, after receipt of written notice from
22 the Controller, fails to transmit a copy of the adopted budget within
23 20 days, the city shall forfeit to the state one thousand dollars
24 (\$1,000), to be recovered in an action brought by the Attorney
25 General, in the name of the Controller.

26 (2) Upon a satisfactory showing of good cause, the Controller
27 may waive the penalty for late filing provided in paragraph (1).

28 53906. The adopted budget shall include a schedule showing
29 the managerial budget of each service activity financed by a
30 proprietary fund. The schedule shall set forth expected operations
31 of the activity in that detail for revenues, expenses, and reserves
32 as will adequately display the nature and the approximate size of
33 its operations. Comparative data, as prescribed in Section 53903,
34 shall be provided.

35 53907. A copy of the audited comprehensive annual financial
36 report for the next preceding fiscal year shall be filed by the
37 appropriate city official in the office of the Controller not later
38 than January 15 of each year.

39 SEC. 4. If the Commission on State Mandates determines that
40 this act contains costs mandated by the state, reimbursement to

- 1 local agencies and school districts for those costs shall be made
- 2 pursuant to Part 7 (commencing with Section 17500) of Division
- 3 4 of Title 2 of the Government Code.

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